

## Message Text

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73

ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 AID-05 CIAE-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 FEA-01 PA-02 PRS-01 /107 W

----- 090067

R 271805Z JUN 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 2431

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMCONSUL BELFAST

AMCONSUL EDINBURGH

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDOC WASHDC

UNCLAS SECTION 01 OF 02 LONDON 09977

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652:N/A

TAGS: ECON, UK

SUBJECT: ECONOMIC DEVELOPMENTS - WEEK ENDING JUNE 27

BEGIN SUMMARY: THE FIGHT AGAINST INFLATION CONTINUES TO  
DOMINATE THE GOVERNMENT'S ECONOMIC POLICY. THERE ARE SOME  
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HOPEFUL SIGNS THAT A VOLUNTARY INCOMES POLICY MAY BE

AGREED TO. THE TRADES UNION CONGRESS (TUC) ANNOUNCED AGREEMENT OF ITS GENERAL COUNCIL ON A 6-POINT PLAN TO LIMIT WAGE INCREASES THE NEXT WAGE ROUND TO A LEVEL WHICH WOULD BE CONSISTENT WITH A TARGET RATE OF INFLATION. WHETHER THIS WILL BE AGREED BY THE TUC AS A WHOLE, AND WHETHER RECALCITRANT UNIONS CAN BE KEPT IN LINE IS STILL QUESTIONABLE. HOWEVER, THE GOVERNMENT MAY BE UNABLE TO AWAIT A TUC RESOLUTION OF THE WAGES PROBLEM AS THE TREND TOWARD RECESSION CONTINUES TO STEEPEN AND STERLING CONTINUES ITS SLIDE. END SUMMARY

1. POUND DROPS. THE POUND CAME UNDER HEAVY PRESSURE AGAIN THIS WEEK WITH REPORTS OF LARGE MOVEMENTS OUT OF STERLING BY GERMAN AND SWISS BANKS. ON A TRADE-WEIGHTED BASIS, THE BANK OF ENGLAND CALCULATES STERLING DEPRECIATION OF 27.1 PERCENT (6/26) SINCE SMITHSONIAN, COMPARED TO 26.3 PERCENT LAST THURSDAY. VIS-A-VIS THE DOLLAR, STERLING CLOSED AT \$2.2430 ON THURSDAY, A FALL OF 310 POINTS OVER THE WEEK. THE RAPID DETERIORATION FOLLOWED PRESS REPORTS THAT SEVERAL BANKERS, PRIMARILY SWISS, ENVISAGE AN EXCHANGE RATE OF \$2.18 IN THE NEXT FEW DAYS.

2. LEFT-WING ECONOMIC PROPOSALS. THE ECONOMIC COMMITTEE OF THE TRIBUNE GROUP OF THE LABOR PARTY RECOMMENDS INSULATION OF THE UK ECONOMY FROM THE WORLD DEPRESSION. THE SPECIFIC POLICIES RECOMMENDED BY THE COMMITTEE INCLUDE TEMPORARY PENAL TAXATION ON INCOMES ABOVE 10,000 POUNDS, SELLING BONDS SECURED AGAINST NORTH SEA OIL ASSETS, A TEMPORARY PRICE FREEZE ON ESSENTIAL GOODS, AND NO CUTS IN SOCIAL SERVICES BUT ONLY IN DEFENSE AND ROADS.

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FM AMEMBASSY LONDON  
TO SECSTATE WASHDC 2432  
INFO AMEMBASSY BERN  
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3. EXCHANGE RATE AND GOLD:

	6/19	6/26	CHANGE
EXCHANGE RATE	\$2.2740	\$2.2430	DOWN \$0.0310
EFFECTIVE DEPRECIATION			
(PERCENT)	26.3	27.1	WIDENED 0.8

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GOLD	\$162.75	\$164.25	UP \$1.50
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4. FORWARD DISCOUNT ON STERLING:

	6/19	6/26	CHANGE
1 MONTH	0.72	0.60	DOWN 0.12
3 MONTHS	2.42	1.95	DOWN 0.47
6 MONTHS	5.22	4.25	DOWN 0.97

(ALL FIGURES IN CENTS)

5. EURODOLLAR INTEREST RATES:

	6/19	6/26	CHANGE
1 MONTH	5-1/2	6-3/8	UP 7/8
3 MONTHS	6	6-7/8	UP 7/8
6 MONTHS	6-7/8	7-1/2	UP 5/8

6. LOCAL AUTHORITY DEPOSIT RATES:

	6/19	6/26	CHANGE
1 MONTH	9-1/8	9-3/8	UP 1/4
3 MONTHS	9-9/16	9-5/8	UP 1/16
6 MONTHS	9-15/16	10-1/16	UP 1/8

7. THE MINIMUM LENDING RATE REMAINED UNCHANGED AT 10 PERCENT ON FRIDAY, JUNE 27, 1975.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INFLATION, ECONOMIC PROGRAMS, ECONOMIC TRENDS  
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**Copy:** SINGLE  
**Draft Date:** 27 JUN 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Office:** ACTION EUR  
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**Previous Handling Restrictions:** n/a  
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**Review Authority:** hartledg  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 27 FEB 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <27 FEB 2003 by PhilliR0>; APPROVED <18 MAR 2004 by hartledg>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ECONOMIC DEVELOPMENTS - WEEK ENDING JUNE 27 BEGIN SUMMARY: THE FIGHT AGAINST INFLATION CONTINUES TO  
**TAGS:** ECON, UK  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006